Guide 69

Energy Development Licence Transfer

October 2000

Alberta Energy and Utilities Board

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Contents

1 Purpose 1

2 When to Use This Guide 1

3 What this Guide Contains 1

4 New EUB Licence Transfer Process 1
Licence Transfer Application 2
Well Name Changes 3
Facility Names 3
Working Interest Participation 3
Filing of Applications 3
Incomplete Applications 3
Approval of Applications 4
Licence Transfer Audit and Enforcement 4
Licence Transfer Application Assistance 4

5. License Transfer Application Review Criteria 5
EUB Identification Code 5
Corporate Record Reviews 5

6. Liability Assessment Screening 5
TLRs and LLRs 5
Facility Well Equivalents 6
New Wells and Facilities 6
Licence Transfer Assessment 6
Routine/Non-Routine Applications 6
Transfer Liability Rating (TLR) 7
TLR Calculation 8
Problem Site Well Equivalents 8
Licensee Liability Rating (LLR) 8
LLR Calculation 9
LLR Risk Status Changes 9

7. Security Deposits 10
TLR Security Deposit Requirements 10
LLR Security Deposit Requirements 11
Security Deposit Refunds 11
TLR Security Deposit Refunds 12
LLR Security Deposit Refunds 12
Security Deposits Receivers and Trustees 13

8. General 13
Agents 13
Consultants 13

Schedule 1: License Transfer Application and Guide 15

Schedule 2: Well Licence Transfer 23

Schedule 3: Facility Licence Transfer 25

Schedule 4: Pipeline Licence Transfer 27

Schedule 5: Well Name Change 29

Appendix A: TLR and LLR Calculation Definitions 31

Appendix B: Facility Well Equivalents 32

1 Purpose

The purpose of this guide is

- to assist Alberta Energy and Utilities Board (EUB) licensees to better understand and meet the requirements of *Interim Directive (ID) 2000-11: Energy Development Licence Transfer Requirements and Monthly Corporate Licensee Liability Rating*, and
- to provide additional information on the EUB's transfer process for licensed energy developments.

The guide should facilitate the filing of complete and accurate applications to transfer well, facility, and/or pipeline licences, and to change well names.

2 When to Use This Guide

Use this guide if you are preparing an application for EUB approval to transfer one or more well, facility and/or pipeline licences, and to change well names.

3 What this Guide Contains

This guide contains information on EUB licence transfer application requirements and processes. It will assist you in completing the following licence transfer application forms:

- Schedule 1 Licence Transfer Application Form
- Schedule 2 Well Licence Transfer
- Schedule 3 Facility Licence Transfer
- Schedule 4 Pipeline Licence Transfer
- Schedule 5 Well Name Change

4 New EUB Licence Transfer Process

Recent amendments to the Oil and Gas Conservation Act and the Pipeline Act introduced the requirement for upstream oil and gas production and injection facilities to be licensed, and for holders of facility licences to obtain EUB approval of facility licence transfers.

In order to accommodate facility licence transfers, and to address the liability associated with such transfers, the EUB has introduced an integrated licence transfer application process.

This new process requires the submission of a licence transfer application form and supporting schedules, in place of assignment documents and statutory declarations.

Previously, the EUB guided applicants through the assignment process by reviewing applications for completeness, informing applicants of deficiencies, and answering numerous inquiries about the transfer process.

The new process places a greater responsibility on applicants to file complete and accurate applications, and implements an EUB application audit process. While the EUB will continue to assist applicants new to the licence transfer process or experiencing specific difficulties, it is expected these activities will diminish significantly as applicants gain experience with the new system.

Licence Transfer Application

An application form (Schedule 1) must now be completed for any proposed well, facility and/or pipeline licence transfer. This form will require the following information:

- the name, EUB identification code, mailing address, and contact person information for both the transferor and transferee;
- if applicable, the name, EUB identification code and contact person information of any agent or consultant representing the transferor and/or transferee;
- the signatures of persons authorized to represent the transferee and transferor; and
- the type of licence(s) being transferred. Well, facility and/or pipeline licence transfers and well name changes can all be included within a single application.

The licence transfer application form contains a declaration of EUB requirements that the applicants are expected to have met, and an approval section for use by the EUB.

In addition to a fully completed licence transfer application form, applicants must submit a separate list of any wells (Schedule 2), facilities (Schedule 3), pipelines (Schedule 4), and/or well name changes (Schedule 5) included within the licence transfer application.

The EUB strongly encourages licensees to submit complete applications containing all licences (well, facility and pipeline) involved in property transfer, rather than submitting a number of separate applications for the same transaction.

Well Name Changes

The EUB believes the usage and maintenance of well names needs to be de-emphasized, and would encourage applicants **not** to submit name change applications to the EUB for approval.

As it is not practical to eliminate well names at this time however, the EUB will continue to accept proposed name changes.

If EUB approval of a well name change is required, a Schedule 5, listing all proposed name changes, must be completed. Proposed well name changes must be consistent with the Oil and Gas Conservation Regulations and *Informational Letter (IL) 92-13: Well Name Requirements.*

Facility Names

The EUB will not accept requests for approval of facility names.

Working Interest Participation

As defined in the Oil and Gas Conservation Act "working interest participant" means a person who owns a beneficial or legal undivided interest in a well or facility under agreements that pertain to the ownership of that well or facility".

Sections 13(1) and 13.1(1) of the Act state that no person shall apply for, or hold a licence for, a well or facility unless that person is a working interest participant in the well or facility.

The EUB can not approve the transfer of a well or facility licence to a party that is not a working interest participant in the well or facility.

Therefore, applicants must identify all working interest owners in each well listed on a Schedule 2 and all working interest owners in each facility listed on a Schedule 3 included within the transfer application.

The holder of a pipeline licence does **not** have to be a working interest participant in the pipeline, and the identification of working interest participants in Schedule 4 is not required.

Filing of Applications

A licence transfer application may be filed by the transferor, the transferee or an authorized agent or consultant acting on their behalf. Four copies of the licence transfer application form and all required schedules and attachments are to be submitted to:

Alberta Energy and Utilities Board
Corporate Compliance Group
Liability Management Section
640 – 5th Avenue SW
Calgary, Alberta
T2P 3G4

Incomplete Applications

Incomplete applications require additional EUB effort to complete and will require additional time to process.

Applications that have minor deficiencies will be addressed through the use of deficiency letters. Applicants failing to provide required information within the time provided by the EUB will have their applications closed and returned.

The EUB expects parties filing licence transfer applications to become familiar with transfer application requirements and processes. Where repetitive errors are encountered, the EUB may close and return licence transfer applications.

Approval of Applications

Responsibility for any well, pipeline, or facility contained within a licence transfer application remains with the existing licensee (transferor) until the EUB approves the transfer.

On approval of a licence transfer application, the new licensee (transferee) is legally responsible for the safe operation, suspension, discontinuation, abandonment and remediation of the licensed well, pipeline or facility.

The EUB will convey its approval of a licence transfer application to the transferor and transferee (or their agent or consultant) in writing by mailing or faxing a copy of the submitted licence transfer application form signed by an approving authority of the EUB.

Where a party to a licence transfer application is represented by an agent, or where a party utilizes the services of a consultant, the EUB will provide notice of its decision to the agent or consultant with the expectation that the agent or consultant will notify and provide all relevant documentation to its client.

Licence Transfer Audit and Enforcement

The EUB has established a post approval audit process to ensure applicant compliance with regulatory requirements and to assess process integrity and effectiveness. The EUB audit system also seeks to improve overall industry compliance through the consistent enforcement of escalating consequences.

There are serious consequences for non-compliance with EUB requirements. EUB transfer requirements will be subject to the EUB Generic Enforcement Ladder. For additional information on the Generic Enforcement Ladder please review *IL 99-04: EUB Enforcement Process, Generic Enforcement Ladder, and Field Surveillance Enforcement Ladder*.

Licence Transfer Application Assistance

It is expected this guide will answer the majority of your questions. If you have application specific questions not addressed in this guide you may contact the Corporate Compliance Group at (403) 297-8585 for assistance. Questions regarding the license transfer program or process should be directed to the Corporate Compliance Group at (403) 297-8167.

The Corporate Compliance Group will endeavour to process licence transfer applications within a reasonable period of time. Routine telephone calls to determine the status of submitted applications are discouraged.

Please ensure you have read all applicable instructions before requesting assistance.

5. License Transfer Application Review Criteria

EUB Identification Code

The EUB will not consider a licence transfer application unless both the transferor and transferee have an EUB identification code (previously referred to as a "company" or "operator" code) that permits the holding of all licence types within the licence transfer application.

For additional information on EUB identification code requirements please refer to *ID 2000-7 Licence Eligibility and Qualifications for Potential Licensees and Agents* and *Guide 67: Identification Code and Agent Registration: Application Guide for Potential Licensees*. If after reading these documents you still have questions, you can contact the Enforcement Section of the EUB's Corporate Compliance Group at (403) 297-8320.

Corporate Record Reviews

The EUB conducts a corporate check of both the transferor and transferee before a licence transfer application is approved. If either the transferor's or transferee's status is found to be at "refer" status[1] due to an outstanding non-compliance issue, the application will not be approved routinely.

The Board will consider the unsatisfactory compliance record of the transferor or transferee when deciding whether to approve, approve with conditions, or deny a licence transfer application.

For additional information on the "refer status" and on EUB enforcement processes please review *IL 99-04: EUB Enforcement Process, Generic Enforcement Ladder, and Field Surveillance Enforcement Ladder*. Questions regarding refer status and non-compliance should be directed to the Corporate Compliance Group at either (403) 297-8320 or (403) 297-8448.

6. Liability Assessment Screening

TLRs and LLRs

For licence transfer applications, the EUB will assess and minimize the risk of unfunded abandonment and reclamation liabilities by using two new liability risk management processes: the Transfer Liability Rating (TLR) and the Licensee Liability Rating (LLR).

[1] "refer status" is a corporate status indicator on the EUB's Corporate Data Information System (CDIS) which indicates a licensee is in non-compliance with an EUB Order or Direction.

The TLR is used to evaluate the abandonment and reclamation liabilities of properties contained within a licence transfer application. The LLR is used to evaluate the abandonment and reclamation liabilities of all properties held by a licensee. LLR assessments will be conducted on all licensees monthly, and on transferors and transferees during EUB evaluations of licence transfer applications.

Facility Well Equivalents

For TLR, LLR, and security deposit calculation purposes facilities having a throughput of less than 20% of their design capacity (below 20% facilities) have been assigned a well equivalent based on facility type, design capacity (or maximum historic throughput if capacity design capacity is not known), and abandonment status. The well equivalent for facility types is provided in Table 1 of Appendix B of this Guide.

The complete abandonment of a facility will result in its well equivalent being reduced by 50% to reflect the removal of its abandonment liability. The remaining 50% of its well equivalent will be eliminated when the facility is in receipt of a reclamation certificate. A reduction in a facility's design capacity through a partial abandonment will not result in its well equivalent being reduced for TLR, LLR, or security deposit purposes.

New Wells and Facilities

During the first 12 calendar months from a well's spud date, a well that produces at or above two times the calculated economic limit of the pool in which they are located. (above 2EL wells) will be included in the TLR and LLR equations, and a well that does not produce, or produces below 2EL will not be included.

A facility will not be included in the TLR and LLR calculations during the first 12 calendar months from its licence issuance date.

Licence Transfer Assessment

Licence transfer applications that contain wells and/or facilities are subject to a TLR assessment.

In addition to the TLR screening of a licence transfer application, the EUB will assess the LLR of the transferor and transferee at the time of the transfer application.

Pipelines included in licence transfer applications are not considered in TLR or LLR screening criteria or security deposit requirements. Applications containing **only** pipeline licences are not subject to TLR screening criteria or security deposit requirements and do not trigger LLR assessments of the transferor or transferee. However, pipeline licences included in a licence transfer application containing wells and/or facilities will not be approved separately.

Routine/Non-Routine Applications

A licence transfer application that passes both the TLR and LLR assessment screening criteria will be processed as a routine application.

A license transfer application that does not pass both screening criteria will be processed as a non-routine application.

A licence transfer application involving a party that is in debt to the EUB, is on "refer status", or that has an individual named in a declaration pursuant to Section 95.1 of the Oil and Gas Conservation Act in a position of authority, may also be considered non-routine.

A non-routine application will be reviewed to assess the circumstances surrounding the proposed transfer, including whether regulatory requirements have been satisfied, and whether security deposits are required. The processing time for non-routine applications will depend on the nature and complexity of the issues that caused the transfer application to be considered non-routine.

A licence transfer application that is deficient will require additional time to process, but will not result in an otherwise routine application being processed as non-routine.

Transfer Liability Rating (TLR)

The TLR is a basic measure of the risk posed by the transfer of well and facility abandonment and reclamation liabilities.

The TLR of an application is determined by comparing wells producing at or above two times the calculated economic limit (EL) of the pool in which they are located (above 2EL wells) to

- wells not producing above 2EL (below 2EL wells),
- facilities operating at a rate of less than 20% of their design capacity (below 20% facilities), and
- problem sites included within the application.

Facilities having a throughput of 20% or greater of their design capacity, sulphur recovery gas processing facilities (Guide 56 category - type E60), straddle plants (Guide 56 category - type B20), sour single well oil/bitumen batteries (Guide 56 category types C32 and D42), and pipelines are not considered in the TLR calculation.

A licence transfer application with a TLR that equals or exceeds 0.8 will pass this screening criterion, and the transferee will not be required to place a TLR security deposit with the EUB.

A licence transfer application with a TLR below 0.8 will fail this screening criterion, and the transferee must place a security deposit with the EUB that addresses the abandonment and reclamation liabilities of all below 2EL wells, below 20% facilities, and any problem sites within the application before the licence transfer will be approved. The method for determining TLR security deposits is provided later in this document under the heading of "TLR Deposit and Refund".

TLR Calculation

The formula for determining the TLR of wells and facilities in a licence transfer application is shown below:

$$\frac{\textit{Number of wells at or above 2 x their EL}}{\textit{Number of wells below 2 x their EL + the well equivalent of facilities below 20\% of their design capacity + the well equivalent of problem sites}}$$

The terms used in the TLR calculation are defined in Appendix A of this guide and the well equivalents for various facility types are provided in Table 1 of Appendix B of this guide.

Problem Site Well Equivalents

A site designated as a problem site that is included in a transfer application will have its liability included in the TLR assessment, regardless of whether the well is an above 2EL well, or the facility is an above 20% facility. The formula for calculating a problem site well equivalent is provided in Appendix B of this guide.

Licensee Liability Rating (LLR)

In addition to the TLR screening of a licence transfer application, the EUB will also assess the LLR of the transferor and transferee at the time of the transfer application. The LLR, conducted as part of the licence transfer application process, is calculated for both the transferor and transferee, assuming the licence transfer application was approved.

The LLR is a basic measure of the risk that a licensee will be unable to address its abandonment and reclamation liabilities. The LLR replaces the previous well screening ratio (WSR) that considered only the ratio of active to inactive wells held by the transferor and transferee.

The LLR compares a licensee's total inventory of wells producing at or above two times the calculated EL of the pool in which they are located (above 2EL wells) to

- its total inventory of wells not producing above 2EL (below 2EL wells),
- one-half the number of abandoned but unreclaimed wells, and
- facilities operating at a rate of less than 20% of their design capacity (below 20% facilities).

Like the TLR, facilities having a throughput of 20% or greater of their design capacity, sulphur recovery gas processing facilities, straddle plants, sour single well oil-bitumen batteries and pipelines are not considered in the LLR calculation.

Unlike the TLR, abandoned but unreclaimed wells are considered to be one-half of a below 2EL well and problem sites are not included in the LLR.

The LLR that would be held by the transferor and transferee, if the application was approved, must equal or exceed the low risk threshold for the transferor and for the transferee for the licence transfer application to pass this screening criterion.

A licensee with a LLR that places it outside the low risk category, as identified hereafter, is considered at risk of being unable to fund its abandonment and reclamation responsibilities, and may be required to place security deposits with the EUB. The method for determining LLR security deposit requirements is provided later in this document under the heading of "LLR Security Deposits".

LLR Calculation

The formula for determining a licensee's LLRs is shown below:

$$\frac{\textit{Licensee's total number of wells at or above 2 x their EL}}{\textit{Licensee's total number of wells below 2 x their EL + 0.5 x the number of abandoned but unreclaimed wells +the well equivalent of facilities below 20\% of their design capacity.}}$$

The terms used in the LLR calculation are defined in Appendix A of this guide and the well equivalents for various facility types are provided in Table 1 of Appendix B of this guide.

LLR Risk Status Changes

A licensee's LLR will put it into one of three risk status ranges, low, medium, or high. A licensee with an LLR outside of the low-risk range is considered to be at risk of being unable to fund its abandonment and reclamation responsibilities and will be required to take action, as described below. The EUB will establish the threshold values to define the low-, medium-, and high-risk status ranges once detailed facility information has been gathered through the retrospective licensing program.

Low-risk licensee – a licensee whose calculated LLR is maintained at or above the low-risk threshold is considered able to address all of its abandonment and reclamation liabilities. A low-risk licensee will not be required to place an LLR security deposit.

Medium-risk licensee - a licensee whose calculated LLR is less than the low-risk threshold but is equal to or greater than the high-risk threshold is considered at risk of being unable to address its abandonment and reclamation liabilities. A medium-risk licensee will have a three-year period in which to improve its LLR to low-risk. A medium risk licensee that fails to improve its LLR to low risk within the three years will be required to place a security deposit for the number of well equivalents that would equate to the licensee attaining an LLR of the low-risk threshold.

High-risk licensee – a licensee whose calculated LLR is less than the high-risk threshold is considered unable to address all of its abandonment and reclamation liabilities. A high-risk licensee will be

required to immediately place a security deposit for the number of well equivalents that would equate to the licensee attaining an LLR of the low-risk threshold.

A medium- or low-risk licensee whose LLR drops below the high-risk threshold **at any time** will be required to immediately place a security deposit for the number of well equivalents that would equate to the licensee attaining an LLR of the low-risk threshold.

The placing of security deposits to offset identified abandonment and reclamation liabilities addresses but does not improve a licensee's LLR.

7. Security Deposits

Security deposits address both potential abandonment and reclamation costs.

The EUB will accept cash or letters of credit that meet the requirements of *ID 2000-2 Security Deposits – Acceptable Forms of Security* for TLR and LLR deposits.

TLR Security Deposit Requirements

If a licence transfer application fails the TLR, the transferee is required to place a security deposit with the EUB to address the abandonment and reclamation liabilities associated with each below 2EL well, each below 20% facility, and each problem site within the application. This security deposit must be submitted by the transferee and must be received before approval of the licence transfer application will be approved.

The security deposit requirement for a below 2EL well is the sum of the site-specific well abandonment costs and area-specific reclamation costs determined using the EUB's security deposit calculation program available on the EUB's web site. (http://www.eub.gov.ab.ca)

The security deposit requirement for a below 20% facility is $50 000 for each well equivalent. This figure represents both the abandonment and reclamation components of a security deposit for a facility that is not abandoned, and the reclamation component of a facility that is abandoned.

The security deposit requirement for a designated problem site is determined based on a site liability assessment satisfactory to the EUB.

Security deposits filed as a result of an application failing the TLR will be attached to specific below 2EL wells, below 20% facilities and problem sites within the application.

LLR Security Deposit Requirements

Where a transferor or transferee falls below the low-risk threshold on the LLR conducted during the evaluation of a licence transfer application, they may be required to place a security deposit with the EUB based on their risk category.

If approval of a transfer application would cause either the transferor or transferee's LLR to be within the high risk category (or if already within the high-risk category to drop below their previous low LLR) that transferor or transferee must place a security deposit with the EUB. The security deposit will be for the number of well equivalents that would equate to the licensee attaining a low risk LLR and must be in place before the licence transfer application will be approved.

If approval of the transfer would result in either the transferor's or transferee's LLR being within the medium-risk category the EUB would approve the transfer and provide written notice to the licensee in the medium-risk category that its LLR must be within the low risk category within the three year period or an LLR security deposit will be required. A medium- risk licensee that fails to improve its LLR to the low-risk threshold within the three-year period will be required to place security deposits for the number of well equivalents that would equate to the licensee attaining a low risk LLR. A licence transfer application will not be denied because the transferor or transferee has a medium risk LLR.

If approval of the transfer would result in both the transferor and transferee's LLR to be within the low-risk category, the EUB would approve the transfer without requiring a LLR security deposit.

The LLR security deposit requirement is $50 000 for each well equivalent by which the transferor or transferee's LLR falls below the low risk threshold. The LLR security deposit is a corporate level security deposit placed by a licensee and is not attached to specific wells and facilities as with a TLR security deposit.

The EUB will consider any LLR, TLR, and Long Term Inactive Well Program security deposits already held on behalf of a licensee in determining whether calculated LLR deposit requirements have been satisfied. A security deposit held for an identified problem site or for enforcement purposes will not be considered in determining whether calculated LLR requirements have been satisfied.

Security Deposit Refunds

For cash deposits, where there are no remaining security deposit requirements, the EUB will return the full amount of a security deposit, including earned interest, upon receipt by the EUB of a written request for a refund. Where there are reduced but continuing security deposit requirements, the EUB will provide partial refunds of security deposits, including earned interest on the refunded amount, upon the criteria for refund being met and receipt by the EUB of a written request for partial refund.

For security deposits met by letter of credit, where there are no remaining security deposit requirements, the EUB will return the letter of credit upon receipt by the EUB of a written request for refund. Where there are reduced but continuing security deposit requirements, the EUB will permit the substitution of a letter of credit for a reduced amount upon the criteria for reduced security deposits being met and receipt by the EUB of a written request for substitution of a letter of credit.

TLR Security Deposit Refunds

A TLR security deposit collected from the transferee on a below 2EL well, below 20% facility, or problem site will be refunded if the well, facility, or site

- meets its economic limit test (2EL well or above 20% facility),
- is transferred with EUB approval to another licensee,
- is fully abandoned (eligible for refund of the abandonment component of the security deposit), or
- is in receipt of a reclamation certificate (eligible for refund of reclamation component of deposit). The full reclamation component of any security deposit will be retained until the entire site has been reclaimed. If the site is legally subdivided and a reclamation certificate obtained for the reclaimed portion of the site, the EUB will refund the reclamation component of any security deposit held for the reclaimed portion

A TLR security deposit refund will only be considered upon a written request from the licensee placing the security deposit.

The EUB expects a licensee to maintain adequate records of its TLR security deposits, to monitor the properties on which deposits were placed, and to request refunds when eligibility criteria are met.

LLR Security Deposit Refunds

A licensee may request a security deposit refund if it improves its LLR and maintains that improvement for six consecutive months.

If the improved LLR continues to be below the low risk criterion, the EUB would refund the difference between the amount of the deposit collected for the previous LLR and the deposit amount required to be maintained for the improved LLR.

If the improved LLR is above the low risk criterion and is maintained for six consecutive months, the licensee may request a refund of its total LLR security deposit.

A LLR security deposit refund will only be considered upon a written request from the licensee placing the security deposit. The

EUB expects a licensee to monitor its LLR, to maintain adequate records of its security deposits, and to request refunds when eligibility criteria are met.

Security Deposits Receivers and Trustees

Receivers and trustees who are managing the assets of a licensee, and who have provided the EUB's Corporate Compliance Group with a letter of agreement acknowledging that abandonment and reclamation responsibilities associated with the licensee's well, facility and pipeline licences will be dealt with prior to any creditors, will not be subject to TLR and LLR deposit requirements.

Any party acquiring licensed properties from a receiver or trustee will, however, be subject to both TLR and LLR assessments.

8. General

Agents

Non-Alberta resident individuals or companies must appoint an agent to carry out their duties and responsibilities as a licensee under the Oil and Gas Conservation Act and/or the Pipeline Act.

The EUB will not accept the appointment of an agent to carry out the duties and responsibilities of a licensee under the Oil and Gas Conservation Act and/or the Pipeline Act for an Alberta resident individual or company.

An agent must be resident in Alberta and have an appropriate EUB identification code for the EUB to consider a proposed appointment. The appointment of an agent is not effective unless approved by the EUB; the EUB may approve or refuse to approve the appointment.

For further information on agent appointments, refer to *ID 2000-7: Licence Eligibility and Qualifications for Potential Licensees and Agents* and *Guide 67: Identification Code and Agent Registration: Application Guide for Potential Licensees.*

Consultants

Consultants may be used by the proposed transferor and/or transferee to prepare and submit license transfer applications.

EUB Alberta Energy and Utilities Board

Guide 69 – Schedule 1

License Transfer Application

Application Date _____

Transferor Information

Name of Transferor _____ EUB Identification Code _____

Mailing Address _____

Contact Person _____
(Last Name) (First Name)

Telephone _____ Facsimile _____

E-Mail Address _____ File No. _____

(If Applicable)
Agent/Consultant _____ EUB Identification Code _____

Contact Person _____
(Last Name) (First Name)

Telephone _____ Facsimile _____

E-Mail Address _____ File No. _____

Transferee Information

Name of Transferee
_____ EUB Identification Code _____

Mailing Address _____

Contact Person _____
(Last Name) (First Name)

Telephone _____ Facsimile _____

E-Mail Address _____ File No. _____

(If Applicable)
Agent / Consultant
_____ EUB Identification Code _____

Contact Person _____
(Last Name) (First Name)

Telephone _____ Facsimile _____

E-Mail Address _____ File No. _____

Licence Transfer Information

Type of Licence Transfer Application

Well License ☐	Facility License ☐	Pipeline Licence ☐	Well Name Change ☐
Schedule 2	Schedule 3	Schedule 4	Schedule 5

Declaration

The Transferee declares that it has:

- valid surface rights for all wells, pipelines and/or facilities being transferred,
- valid mineral rights for all licensed producing wells being transferred,
- the right to produce, inject, or dispose of fluids for all licensed active wells being transferred,
- where required, met EUB emergency response plan requirements for all wells and facilities being transferred,
- where required, met EUB suspension guidelines for all wells, pipelines and facilities being transferred
- accept responsibility as licensee for all wells, facilities and/or pipelines conveyed by the application,
- is a working interest participant in all wells and/or facilities being conveyed by the application,

The transferor and transferee confirm that the information contained within or forming part of this application is complete and accurate.

TRANSFEROR	TRANSFEREE
Name (printed)	Name (printed)
Position	Position
Signature of Applicant,	Signature of Applicant,

EUB Approval

Pursuant to Section 18 of the Oil and Gas Conservation Act and/or Section 24 of the Pipeline Act, the EUB hereby approves the transfer of licences within this application subject to the conditions (if any) attached to this form.

Approved by: _____

Title: _____

Signature: _____

Schedule 1: Licence Transfer Application Form Completion Guide

Date

Enter the date on which you are submitting this application to the EUB.

A. Transferor Information

Name of Transferor

Enter the transferor's full legal name.

EUB Identification Code

Enter the transferor's assigned EUB identification code.

For additional information on EUB identification codes please refer to Section 5, "EUB Identification Code", in this guide.

Mailing Address

Enter the transferor's full mailing address.

Contact Person

Enter the name of the contact person responsible for this licence transfer application.

Transferors authorizing a person to act on their behalf must be aware that the EUB will consider the actions and decisions of this individual to be the actions and decisions of the transferor. The EUB considers the scope of the contact person's responsibilities to include

- ensuring the transferor's compliance with the requirements of the EUB's licence transfer application process,
- addressing EUB queries on all aspects of this licence transfer application,
- responding to any EUB audit of this licence transfer application,
- implementing continuous improvements resulting from an audit, and
- ensuring compliance with any enforcement action that may result from a non-compliance audit.

Telephone Number
Facsimile Number
E-Mail Address

Enter the business telephone number and facsimile (including area codes) of the contact person. If available, enter the contact person's e-mail address.

File Number (Optional)

Enter the transferor's file number if desired.

Transferee Information

Name of Transferee

Enter the transferee's full legal name.

Identification Code

Enter the transferee's assigned EUB identification code.

For additional information on EUB identification codes please refer to Section 5, "EUB Identification Code", in this guide.

Mailing Address

Enter the transferee's full mailing address.

Contact Person

Enter the name of the contact person responsible for this licence transfer application.

Transferees authorizing a person to act on their behalf must be aware that the EUB will consider the actions and decisions of this individual to be the actions and decisions of the transferee. The EUB considers the scope of the contact person's responsibilities to include

- ensuring the transferee's compliance with the requirements of the EUB's licence transfer application process,
- addressing EUB queries on all aspects of this licence transfer application,
- responding to any EUB audit of this licence transfer application,
- implementing continuous improvements resulting from an audit, and
- ensuring compliance with any enforcement action that may result from a non-compliance audit.

Telephone Number
Facsimile Number
E-Mail Address

Enter the business telephone number and facsimile (including area codes) of the contact person. If available, enter the contact person's e-mail address.

File Number (Optional)

Enter the transferee's file number if desired

Agent /Consultant Information (If Applicable)

If either the transforor or transferee has authorized an agent or consultant to act on their behalf on this licence transfer application provide the following information..

Name of Agent/ Consultant

Enter the transferor's and/or the transferee's agent/consultant's full legal name

EUB Identification Code

If the use of an agent is required and permitted, enter the agent's assigned EUB identification code. If the agent does not have an appropriate EUB identification code, the licence transfer application can not be processed

For additional information on EUB identification codes please refer to Section 5 "EUB Identification Code" in this guide.

Contact Person

Enter the name of the person responsible as agent or consultant for the transferor and/or transferee in this licence transfer application.

Transferors and transferees authorising an agent or consultant to act on their behalf must be aware that the EUB will consider the actions and decisions of the agent or consultant to be the actions and decisions of the transferor or transferee. The EUB considers the scope of the contact person's responsibilities to include

- ensuring their client's compliance with the requirements of the EUB's licence transfer application process,
- addressing EUB queries on all aspects of this licence transfer application,
- responding to any EUB audit of this licence transfer application,
- implementing continuous improvements resulting from an audit, and
- ensuring compliance with any enforcement action that may result from a non-compliance audit.

Telephone Number
Facsimile Number
E-Mail Address

Enter the business telephone number and facsimile (including area codes) of the agent's or consultant's contact person. If available, enter the contact person's e-mail address.

File Number (Optional)

Enter the agent's or consultant's file number if desired.

C. License Transfer Information

Type of Licence Transfer Application

Enter an X in the box for each type of license included within the licence transfer application.

A separate schedule is required for each licence type included within the licence transfer application: Schedule 2, Well Licence Transfer; Schedule 3, Facility Licence Transfer; Schedule 4, Pipeline Licence Transfer; and Schedule 5 Well Name Changes.

Well Licence

If there are any wells included within the proposed licence transfer, you must complete and submit a Schedule 2 with your application.

Schedule 2 requires an applicant to supply the EUB well licence number, the unique well identifier, the full legal names of all working interest participants, and their working interest participation for each well included within the application. Working interest participation must total 100%.

Facility Licence

If there are any facilities included within the proposed licence transfer, you must complete and submit a Schedule 3 with your application.

Schedule 3 requires an applicant to supply the EUB facility licence number, the legal description of the facility, the full legal names of all working interest participants, and their working interest participation for each facility included within the application. Working interest participation must total 100%.

Pipeline Licence

If there are any pipelines included within the proposed licence transfer you must complete and submit a Schedule 4 with your application.

Schedule 4 requires an applicant to supply the EUB pipeline licence number, for each pipeline included within the application and state whether it is a full or partial line transfer. For partial line transfers, one base map showing the line segment to be transferred in red is to be attached to Schedule 4. Working interest participant information for the pipeline is not required.

Well Name Changes

If you wish to change the name of any wells included within the proposed licence transfer you must complete and submit a Schedule 5 with your application.

Schedule 5 requires the applicant to supply the EUB well licence number, the current name of the well, and the proposed name of the well.

D. Declaration of Transferor and Transferee

The transferor and transferee are required to declare that they are in compliance with the statements provided.

Surface Rights

The transferee must have valid surface rights for each licensed well, pipeline and/or facility within the licence transfer application. In exceptional circumstances the EUB may be prepared to consider the transfer of a license where the transferee does not hold valid surface rights. In these circumstances the applicant must submit a detailed explanation of the situation, and actions taken to resolve the problem. If required the EUB will review the situation and determine whether a transfer can occur.

Mineral Rights

The transferee must hold valid mineral rights for each licensed producing well within the licence transfer application.

The EUB may be prepared to consider the transfer of a well licence where the transferee does not hold valid mineral rights. In these circumstances the applicant must submit a detailed explanation of the situation. The EUB will review the explanation and determine whether a transfer can occur.

Right to Produce, Inject or Dispose

The transferee must have the right to produce, inject or dispose of fluids for each licensed active well within the licence transfer application.

The EUB may be prepared to consider the transfer of a well licence where the licensee does not hold such rights. In these circumstances the applicant must submit a detailed explanation of the situation. The

EUB will review the explanation and determine whether a transfer can occur.

EUB Emergency Response Plans

The transferor is responsible for ensuring that any required emergency response plan for wells and facilities being transferred meet EUB requirements as specified in *Guide G 56: Energy Development Application Guide, October 2000 Edition, Volume 2, Appendices.*

EUB Suspension Guidelines

The transferor is responsible for ensuring that, where required, suspension guidelines for wells, facilities and pipelines meet EUB requirements contained within the Oil and Gas Conservation Regulations, the Pipeline Regulations and related EUB Interim Directives, Informational Letters and Guides.

Acceptance of Responsibility

The transferor is responsible for all wells, pipelines and/or facilities within a licence transfer application until such time as the EUB approves the transfer application.

By signing this declaration, the transferee accepts responsibility as licensee for all wells, facilities and/or pipelines within the application upon EUB approval of the application. The transferee is responsible to ensure its compliance with the statutes and regulations of the Province of Alberta as well as with interim directives, informational letters, general bulletins and guides issued by the EUB that are pertinent to EUB licence holders.

Working Interest Participant

Section 13 of the Oil and Gas Conservation Act requires that no person shall apply for or hold a licence for a well unless that person is a working interest participant in that well.

Section 13.1 of the Oil and Gas Conservation Act requires that no person shall apply for or hold a licence for a facility unless that person is a working interest participant in that facility.

Complete and Accurate Information

The transferor and transferee are both responsible for the completeness and accuracy of the application and all supporting documentation.

EUB Approval

Where the EUB approves a licence transfer application it will provide a copy of the application signed by an authorized representative of the Board along with a copy of submitted schedules and any conditions attached to the approval by the EUB to both the transferor and transferee or their agents and/or consultants.

The EUB expects agents and consultants to provide their client with full documentation received from the EUB.

Schedules

Schedule 2
Well Licence Transfer

For each well included within the licence transfer application, enter

- the EUB well licence number,
- the legal description for the well
- the full legal names of all working interest participants, and
- the working interest percentage of all working interest participants. Working interest participation must total 100%.

Schedule 3
Facility Licence Transfer

For each upstream oil and gas facility included within the licence transfer application, enter

- the EUB facility licence number,
- the legal description for the facility
- the full legal names of all working interest participants, and
- the working interest percentage of all working interest participants. Working interest participation must total 100%.

Schedule 4
Pipeline Licences

Transfer of Entire Pipeline

For each licensed pipeline being transferred in its entirety provide:

- the pipeline licence number, and
- state "full" pipeline licence transfer.

Partial Transfer of Licence

For each partial transfer of a licensed pipeline provide

- the pipeline licence number,
- state "partial" pipeline licence transfer,
- the line number of the pipeline segment being transferred, and
- one base map illustrating in red the pipeline segment to be transferred. (each partial licence transfer will require a separate base map).

Schedule 5
Well Name Changes

For each proposed well name change included within the licence transfer application, enter

- the EUB well licence number,
- the current name of the well, and
- the proposed name of the well.

EUB Alberta Energy and Utilities Board

Guide 69 – Schedule 2

Well Licence Transfer

Licence Number	Unique Well Identifier LE LSD SEC TWP RGE M	Working Interest Participants (WIP)	WIP %

EUB Alberta Energy and Utilities Board

Guide 69 – Schedule 3

Facility Licence Transfer

Licence Number	Legal Description LSD SEC TWP RGE M	Working Interest Participants (WIP)	WIP %

Guide 69 – Schedule 4

Pipeline Licence Transfer

Licence Number	Full or Partial Transfer	(If Partial Transfer) Pipeline Line Number

EUB Alberta Energy and Utilities Board

Guide 69 – Schedule 5

Well Name Change

Licence Number	Current Name	Proposed Name

Appendix A
TLR and LLR Calculation Definitions

Above 2EL Well –a well that, according to the records of the EUB, produced during the last four months at an average daily rate equal to or greater than twice the most recent economic limit determined for that pool and produced for a total of at least 800 hours in the last four months.

Below 2EL Well – a well that is not abandoned but does not meet the "Above 2EL Well" definition; includes a well producing below 2EL, a nonproducing well, an injection well, a disposal well, or an observation well.

Below 20 per cent Facility - a facility that is not reclaimed but, according to the records of the EUB, had throughput of primary fluid in each of the last four months at a rate less than 20 per cent of its "design capacity."

Design Capacity

a) the maximum daily volume of primary fluid that a facility was designed to separate, treat, process, measure, store, compress, pump, or otherwise handle as part of its preparation for sale, transfer, or disposal, if no facility that would have required licensing in accordance with *Guide 56* pre-existed on this site; or

b) the historical maximum volume of primary fluid that a facility was designed to separate, treat, process, measure, store, compress, pump, or otherwise handle as part of its preparation for sale, transfer, or disposal, where a facility that would have required licensing in accordance with *Guide 56* pre-existed on this site.

Economic Limit (EL) - the average daily production rate of primary fluid during the last two months prior to ceasing operation for shut-in wells (suspended, abandoned, or reclaimed status) within the subject pool or in similar pools within a field for oil and gas or within the subject deposit or similar deposits within an area for crude bitumen. A well must have produced for 200 hours or more in each of the last two months of production to be included in the EL calculation. If there are less than five shut-in wells in a pool/deposit or field/area, the EL is calculated using average provincial data. The EUB will post the EL for each pool on its Web site each month.

Primary Fluid - the fluid that a well or facility is licensed to produce (e.g., an oil battery's primary fluid is oil, a gas compressor's primary fluid is gas, and a water disposal plant's primary fluid is water).

Problem Site - a well or facility considered by the EUB to have an abandonment and reclamation liability both greater than twice the amount normally calculated for that type of site and equal to or in excess of $100 000.

Problem sites will be identified by the EUB and licensees will be advised in writing when such sites are identified. Problem sites are included in the TLR calculation to ensure that their liability is addressed in a licence transfer application, but they are not included in the LLR as this would require a licensee to immediately acquire an assessment of the site to determine its well equivalent.

Appendix B
Facility Well Equivalents

Table 1: Facility well equivalents

Facility Design Capacity Code	Facility Design Capacity	Well Equivalent Below 20% but not abandoned	Abandoned but not reclaimed
Oil/bitumen or injection/disposal facility			
a	0-50 m^3 fluid/day	5	2.5
b	> 50 m^3 ≤ 500 m^3 /day	10	5
c	> 500 m^3 ≤ 3000 m^3 /day	20	10
d	> 3000 m^3/day	40	20
Oil/bitumen satellite			
e	Any throughput level	5	2.5
Gas processing facility			
f	0-900 e^3 m^3 gas inlet/day	10	5
g	>900 e^3 m^3 /day ≤ 2500 e^3 m^3 /day	20	10
h	>2500 e^3m^3 /day	40	20
Gas (compressors, dehydration, etc.) facility			
i	Any throughput level	5	2.5

Problems Site Well Equivalents

A site designated as a problem site that is included in a transfer application will have its incremental liability included in the TLR assessment on a well equivalent basis.

Problem Well Equivalent

The formula for determining the well equivalent of a problem well is

$$\frac{\textit{Site-specific estimated cost to abandon and reclaim the well*}}{\textit{Single-well equivalent (\$50 000)}} \quad \textit{-1 well count equivalent}$$

*Numerator must equal or exceed $100 000 for a well to be considered a problem well.

Problem Facility Equivalent

The formula for determining the well equivalent of a problem facility is

$$\frac{\textit{Site-specific estimated cost to abandon and reclaim the facility}}{\textit{Single-well equivalent (\$50 000)}} \quad \textit{- well equivalent for this facility type}$$